(At this stage, some hon. Members left the Chamber.)

SARDAR TARLOCHAN SINGH: Sir, I may be given time. ...*(Interruptions)*... Sir, I am the mover of the Calling Attention. ...*(Interruptions)*...

THE VICE-CHAIRMAN (PROF. P.J. KURIEN): Appropriation (No. 4) Bill, 2009. Shri Pranab Mukherjee. ...*(Interruptions)*...

GOVERNMENT BILL

The Appropriation (No.4) Bill, 2009

THE MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE): Mr. Vice-Chairman, Sir, I beg to move:-

That the Bill to authorize payment and appropriation of certain further sums from and out of the Consolidated Fund of India for the services of me financial year 2009-10, as passed by Lok Sabha, be taken into consideration.

Sir, this is the first batch of Supplementary Demands for Grants for the year 2009-10. In order to minimize the adverse impact of the global meltdown on Indian economy, the Government took a conscious decision of continuing with the policy of providing fiscal stimulus and presented the Budget 2009-10 with a fiscal deficit of 6.8 per cent of GDP. The overall financial performance in the first half of the fiscal year 2009-10 is in line with the Budget Estimates presented in July 2009. At the same time, the impact of these stimuli has started showing results with the economy recording a seven per cent growth in the first half of 2009-10.

Reduced rates of taxes and duties were continued in the Budget 2009-10 to counter the adverse effects of economic slowdown. Along with new budget proposals on direct and indirect taxes, the gross tax to GDP ratio was estimated at 10.9 per cent in the BE 2009-10 as against gross tax to GDP ratio of 11.5 per cent in 2008-09 (Provisional Accounts). In absolute terms, gross tax revenue in BE 2009-10 was estimated at Rs.6,41,079.34 crores. This reflects growth of 5.1 per cent over gross tax receipts of 2008-09. However, the gross tax revenue collection up to October 2009 shows a decline of 7.5 per cent over the same period in 2008. This is primarily attributed to the steep decline in indirect tax components, namely, Union excise Duties and Customs. It has to be noted that in 2008-09, the indirect tax rates were higher during this period. However, the likely shortfall in the indirect tax components is expected to be compensated with higher collection in the direct tax components in 2009-10.

Plan expenditure during 2009-10 is estimated at Rs.3,25,149 crores, reflecting a growth of 18 per cent over the provisional actuals of 2008-09. This is 33.6 per cent over the Budget Estimates of

2008-09. Plan expenditure of Rs.1,48,024 crores during April-October, 2009, accounts for 45.5 per cent of BE 2009-10 and reflects a growth of 23.6 per cent over the previous year plan expenditure during the same period. Considering the fact that the Budget was presented only in July 2009 and Plan outlay is at historical high of 5.6 per cent of GDP, this shows good pace of Plan expenditure.

So far as non-Plan expenditure is concerned, it is estimated in B.E. 2009-10 at Rs.6,95,689 crore which constitutes 68.1 per cent of total expenditure during 2009-10 and reflects growth of 14.8 per cent over the non-Plan expenditure in 2008-09. The non-Plan expenditure for the period April-October has increased from Rs.2,88,657 crore in 2008 to Rs.3,88,837 crore in 2009 reflecting growth of 34.7 per cent. This accounts for 55.9 per cent of the estimated non-Plan expenditure in Budget Estimates of 2009-10. The higher rate of growth in non-Plan expenditure is primarily on account of increase in salary and pension related expenditure due to the implementation of Sixth Central Pay Commission recommendations; increase in food and fertilizer subsidy and expenditure on account of Agricultural Debt Waiver and Debt Relief Scheme for farmers.

Major subsidies, accounted for under non-Plan expenditure, have shown higher outgo during April to October of the current financial year when compared to the same period during the previous financial year. The outgo on food subsidy, for example, has increased from Rs.28,673 crore to Rs.44,550 crore reflecting a growth of 55.4 per cent. Another non-discretionary item, namely, pension has also shown higher outgo of Rs.25,402 crore during this period of the current financial year showing an increase of 67.7 per cent over the corresponding period of the previous year. Similarly, the increase in salary related expenditure is of the order of 51.2 per cent. This is on account of implementation of Sixth Central Pay Commission recommendations, in the latter half of the current fiscal year, rate of growth of salary and pension related expenditure would moderate due to the base effect.

In respect of the position on borrowings, I would like to enlighten the House that the net market borrowing requirement of the Government for the fiscal 2009-10, through market loans (issue of dated securities) is budgeted at Rs.3,97,957 crore. Inclusive of repayments amounting to Rs.53,136 crore, the gross issuance of dated securities for the fiscal year works out to Rs.4,51,093 crore. After adjusting the budgeted de-sequestering of MSS cash balance amounting to Rs.33,000 crore, the budgeted issuance of dated securities to the market (through auctions) for the fiscal 2009-10 accordingly, works out to Rs.4,18,000 crore. As against this, dated securities amounting to Rs.3,64,000 crore have been issued till December 4, 2009, accounting for 87 per cent of the gross borrowings.

Even though the gross borrowings have increased by about 65 per cent over the last year's actuals, this has been done in non-disruptive manner. The Government borrowings were front loaded in the first half of the fiscal year, to ensure that there was adequate space for the private sector in the second half, when their demand would pick up. The weighted average cost of borrowings is also lower at 7.19 per cent as against 8.51 per cent in the corresponding period of the previous fiscal.

Despite the higher market borrowing of the Government in the current year, there is ample liquidity in the system and RBI has been absorbing around Rs.1,16,000 crore per day, on average, in the current fiscal year (up to 7th December, 2009) through reverse repo transactions. In the above background, I have presented before the House the Demands for the first batch of Supplementary Grants in 2009-10. This supplementary proposal includes 61 Grants and 2 Appropriations. Authorisation is being sought for gross additional expenditure of Rs.30,942.62 crore, of which Cash Outgo is proposed for Rs. 25,725.22 crore (including provision of Rs,3139.90 crore for transfer of the disinvestment receipts already received in the Consolidated Fund of India as Non-Debt Capital receipt to the National Investment Fund). Apart from this, the other proposals involve Technical Supplementaries of Rs.5,216.67 crore, and Token Supplementaries of Rs. 0.73 crore. The proposals involving Token and Technical Supplementaries are to be met from savings or enhanced receipts/recoveries and will not result in cash additionality.

The main items or the purposes for which I have provided cash additionality in the first batch of Supplementary Demands for 2009-10 include:-

(11) Rs.242.10 crore for the purchase of uranium for the Nuclear Fuel Complex and purchase of raw materials by Bhabha Atomic Research Centre and other units;

(12) Rs.249.70 crore for equity investment in Bhartiya Nabhikiya Vidyut Nigam Limited;

(13) Rs.3000.00 crore for additional subsidy requirements relating to imported decontrolled fertilizers and indigenous urea;

(14) Rs.800.00 crore for equity infusion in the National Aviation Company of India Limited, that is, old Air India.

(15) Rs.249.24 crore for meeting additional requirement towards payment of pensions in the Department of Telecommunications;

(16) Rs.171.75 crore for meeting additional requirements on optical fibre cable based network for Defence Services;

(17) Rs.3458.98 crore for Food Subsidies including payment of bonus on minimum support price and payment to State Governments on decentralized procurement of foodgrains;

(18) Rs.2210.00 crore for additional requirements relating to Defence Pensions;

(19) Rs. 1200.00 crore as additional provision for the National Calamity Contingency Fund;

(20) Rs.4533.33 crore towards additional expenditure on civil pension/family pension and other retirement benefits;

(21) Rs.3139.90 crore for transfer of disinvestment receipts to National Investment Fund (NIF) for expenditure in respect of identified social sector schemes. [An equivalent amount has been received as disinvestment proceeds in the receipt side];

(22) Rs.499.91 crore for reimbursement of losses to Cotton Corporation of India on account of minimum support price operation on cotton;

(23) Rs.404.55 crore for meeting additional expenditure on projects undertaken by Delhi Development Authority in connection with Commonwealth Games, 2010;

(24) Rs.350.00 crore for equity contribution in Delhi Metro Rail Corporation (DMRC);

(25) Rs.1675.00 crore for providing loan as Pass Through Assistance to (i) DMRC (Rs.1500 crore), (ii) Bangalore Metro (Rs.135 crore) and (iii) Chennai Metro (Rs.40 crore);

(26) Rs. 1200.00 crore for meeting additional requirements under Integrated Child Development Services (ICDS) Scheme;

(27) Rs.350.58 crore for Loans and Advances to Organizing Committee for the Commonwealth Games, 2010;

(28) Rs.268 crore for other Commonwealth Games related expenditure, that is, recreation of playing facilities, preparation of teams, upgradation and creation of venue for Commonwealth Games, incremental infrastructure in MTNL for providing connectivity to High Definition TV and Integrated Security Solution; and

(29) Rs.135.00 crore for carrying out BPL Survey including its administrative expenditure

If the cash additionality of Rs.3139.90 crore sought for transfer to the National Investment Fund is excluded, for which an equivalent amount has already been received as Non-Debt Capital Receipt, the proposals involving net cash outgo will amount to Rs.22,585.92 crore, or 2.21 per cent of the total Plan-plus-Non Plan expenditure provision in BE 2009-10. Even this additionality is not expected

to result in any significant variation from the Budget Estimates of Plan and Non-Plan expenditure in 2009-2010, as there would be equivalent overall savings in other Grants. The total expenditure for 2009-10, including Railways, is, therefore, expected to remain within the Budget Estimates of 2009-10 of Rs. 10,20,838 crore.

With the prevailing trends in the receipts and expenditure, coupled with better than expected performance of the economy during the second quarter of 2009-10, it is expected that the fiscal deficit will remain within the estimate of 6.8 per cent presented in the Budget in July, 2009.

With these words, Mr. Vice-Chairman, Sir, I commend the Appropriation (No.4) Bill, 2009 for consideration of the House.

The question was proposed.

THE VICE-CHAIRMAN (PROF. P.J. KURIEN): Shri Prakash Javadekar. ...*(Interruptions)*...

SHRI PRAKASH JAVADEKAR (Maharashtra): Mr, Vice-Chairman, Sir, I am here to speak on the Supplementary Demands for Grants for the year 2009-10, the first batch of which has been presented. My first point is that all this exercise of supplementary-first batch, second batch, third batch, as it always happens -appropriation and reappropriation at the end, funds-lapsing, all these speak of the fact that we are not managing the financial things perfectly. The whole exercise needs to be relooked at because this shows that we are not able to gauge the shape of the things to come and make provisions properly. It is my first point.

My second point is the fiscal deficit. The Finance Minister has said that it will remain 6.8 per cent. Even that 6.8 per cent is far more than what we have committed ourselves. It is much more than what we planned for. The Finance Minister is assuring us that it would be 6.8 per cent but I challenge him that at the end of the financial year, we will have a fiscal deficit of more than 8 per cent because the trends of second quarter are not the real meter of the progress happening all over. Ultimately, when you will come up with the final figures at the end of the year, I am sure that it would not remain at 6.8 per cent. In the last five years, the estimates about the fiscal deficits have always gone wrong. You said something, but, actually, it increased. Similarly, this time also, it will be 2 per cent plus, or, at least, 8 per cent.

Sir, there are non-Budget items, and, there is State deficit also. If all these deficits are taken into account, it comes to a double-digit deficit. Our learned Finance Minister will agree with me that this is not a good sign of fiscal discipline; this is not a good sign of our economic management, and, this is not at all a good sign for our economic progress, the way we want it. From this, Sir, there stems yet another point. Sir, we recently had a discussion on the issue of price rise. Why does the price rise happen? Why is it that though the general inflation rate shows a very small variation and is

around two per cent, but, in reality, the food prices are on fire? This happens because we are in the trap of fiscal deficit of double digit, and, this is what really causes concern for the common man. I will come to that point. My point is that this whole prise rise has taken place because of this growing fiscal deficit, and, we should not shy away from the fact that this fiscal deficit, ultimately, causes price rise. Sir, what happened two years ago? There was a price rise; suddenly, the Government started tightening the monetary policy, and, it adopted fiscal measures like increasing the interest rates, the SLR, the CRR, the Repo Rate and the Reverse Repo Rate, and, all these measures tightened so much that a real problem of liquidity was there in the market. Still, because, by that time, the supply side was not, addressed to, the result was price rise.

THE VICE-CHAIRMAN (PROF. P.J. KUR1EN): Mr. Javadekar...

SHRI PRAKASH JAVADEKAR: Sir, I will continue tomorrow.

THE VICE-CHAIRMAN (PROF. P.J. KURIEN): Mr. Javadekar, you can continue your speech tomorrow. The House is adjourned to meet tomorrow at 11.00 a.m.

The House then adjourned at six of the clock till eleven of the clock on Tuesday, the 15th December 2009.